

MINUTES OF THE REGULAR MEETING  
OF THE HOUSING AND COMMUNITY DEVELOPMENT  
CORPORATION OF HAWAII  
HELD AT THEIR OFFICE AT 677 QUEEN STREET  
ON FRIDAY, JANUARY 28, 2005,  
IN THE CITY AND COUNTY OF HONOLULU, STATE OF HAWAII

The Board of Directors of the Housing and Community Development Corporation of Hawaii met for a regular meeting at 677 Queen Street, on Friday, January 28, 2005 at 9:00 a.m.

The meeting was called to order by Chairman Charles Sted and, on roll call, those present and absent were as follows:

CALL TO  
ORDER/  
ROLL CALL

PRESENT: Director Francis L. Jung  
Director Charles King  
Director Betty Lou Larson  
Designee Rick Manayan  
Designee Henry Oliva  
Director Linda Smith  
Director Charles Sted  
Director Travis O. Thompson

Executive Director Stephanie Aveiro

Staff Present: Sandra Ching, Deputy Attorney General  
Bryan Yee, Deputy Attorney General  
Pamela Dodson, Executive Assistant  
Joel Leong, Special Assistant  
Al Nitta, Planner  
Mavis Masaki, Planner  
Jeanne Hamilton, Planner  
Patti Miyamoto, Compliance Officer  
Edmund Morimoto, Construction Mgmt. Section Chief  
Tom Otake, Housing Development Section Acting Chief  
Chris Sadayasu, Housing Development Specialist  
Kevin Funasaki, Construction Management Unit Chief  
Gary Umeda, Housing Inspector  
Lili Funakoshi, Hearings Officer  
Barbara Arashiro, Resident Services Administrator  
Sandy Miyoshi, Homeless Programs Administrator  
Dexter Ching, Public Housing Supervisor  
Shirley Higa, Secretary to the Board

OTHERS: Bill Sabulburo, U.S. Department of Housing & Urban Management  
Jun Chung, U.S. Department of Housing & Urban Management  
May Tong, U.S. Department of Housing & Urban Management  
Lynn Walton, Hawaii Health Systems Corporation  
Tyler Smith

The Chairman declared a quorum was present.

QUORUM

Director King moved, seconded by Designee Rick Manayan

APPROVAL  
OF  
MINUTES -  
12/16/2004

That the minutes of December 16, 2004 be approved as presented.

The motion was unanimously carried.

Director Smith, on behalf of Governor Linda Lingle, presented the Deal of the Year Award of the Hawaii Chapter of Financial Executives International to Chairman Charles Sted. This award recognized the leadership skills as President of the Hawaii Pacific Health who successfully merged three different entities which improved access and quality of healthcare services in Hawaii.

DEAL OF  
THE  
YEAR  
AWARD

Executive Director Stephanie Aveiro introduced representatives from the U.S. Department of Housing and Urban Development (HUD), Bill Sabulburo and May Tong who are assisting HCDCH in its operations.

OFFICE  
OF  
EXECUTIVE  
DIRECTOR  
REPORT

Ms. Aveiro reported that the highlights of the previous month:

- Findings of the Affordable Housing Task Force was released ;
- Request for Proposals (RFP) is soon to be released for development of three parcels totaling approximately 20 acres for affordable housing in Kapolei; RFP very loosely structured as the objective is to have as many housing units as possible with minimum state resources and at the lowest possible costs;
- Proposed reorganization chart for HCDCH using existing positions that may need to be re-described to reflect the true position description; proposed Asset Management Section within the Fiscal Management Office fka Administrative Services Offices would be responsible for managing commercial properties which could generate added revenue for the agency. Ms. Aveiro stated that as soon as the reorganization is approved, it will be provided again to the Board with each individual staff's name corresponding to the position number;
- Reviewed the personnel lists showing the 343 incumbent positions, 85 vacancies, 55 vacant priority positions that show the recruitment status as required by HUD; and the 49 positions that had been filled in 2004;
- Al Nitta temporarily assigned as the Procurement Officer which is an important part of the Memorandum of Agreement (MOA) with HUD; a Contracting Action Plan was developed and will be shared with HUD at a future meeting;
- Proposed Property Management and Compliance Section for the Finance Branch to manage its own properties instead of outsourcing to monitor projects during the period that low-income tax credits are awarded to developers;
- Homeless Programs Section was awarded \$700,000 for its share of a competitive grant that Hawaii received in the amount of \$1.3 million.

Director Smith commented that as a result of the efforts of many individuals and agencies, Hawaii received \$5.6 million, which was the single largest competitive grant ever awarded to the State of Hawaii.

Ms. Aveiro added that positive stories such as this, will be the responsibility of the newly hired Housing Information Specialist, Georgina Lopez, to keep the general public informed and promote the agency in general

- A newly created Private Management Contracts section was added;
- Distributed a statistical summary of the 2004 evictions by months.

Director Thompson asked if the Board needs to act to have a policy implemented as to when a referral is made after a delinquency noting that some referrals for evictions occur 11 months after delinquencies and another eviction was referred after more than one year elapsed.

Hearings Officer Lili Funakoshi stated that the Rent Collection Policy that was adopted by the Board recently establishes the referral time for management to refer the delinquency after 15 days from the due date.

Director Thompson asked if there is a follow up by the administration that staff is consistently following through on the Rent Collection Policy as this should eventually reduce the number of overall evictions. He also noted the large number of cases on the neighbor islands in comparison to Oahu.

Ms. Aveiro stated that classes have been held on the Rent Collection Policy as required in the MOA. Staff is attempting to increase the number of Eviction Boards on the neighbor islands in order to expedite the pending cases.

Director Jung commented about changing the statute to include Hawaii as a due process state. This due process would then allow HCDCH to move for "Summary Possession" after failure to pay rent or monetary default after five days. The tenant would then have to put the rent in a rent trust account with the court within five days. If the tenant does not comply, then a Writ of Eviction could then be issued. However, since Hawaii is not a due process state, staff cannot implement this action.

Ms. Funakoshi referred to SB 331, which eliminated the appeals level at the state agency. Tenants may appeal directly to the Circuit Court once the eviction has been approved by the respective Hearings Board.

Director Jung commented that an appeal to the Circuit Court is an average of two years or longer which again makes it unfair to HCDCH to go through this process and be penalized for the lengthy eviction process.

Director Thompson suggested that goals, objectives and targets of the evictions be reported on a monthly basis to the Board as well as the results, due to the importance of this issue. He also suggested that the same information be provided to the Board regarding the number of applicants that are applying for public housing as well as the number of vacancies.

In response to Director Larson's query on project basing and Section 8 vouchers, Ms. Aveiro stated that HUD has changed their method of allocation and have now based the current allocation on the amount HCDCH received in May 2004 thru July 2004. Thus although 3,000 vouchers may be allocated to HCDCH, this is limited to a set dollar amount. Ms. Aveiro then introduced Jun Chung of HUD whose expertise is Section 8.

Mr. Chung explained that in the past, HUD would allocate annually 1.2 million vouchers nationwide to the housing authorities irregardless of the cost it would be to HUD to subsidize the eligible families for the vouchers. HCDCH received 3,058 vouchers. Due to the rising costs of the program, the U.S. Congress changed the allocation to a budget-based funding rather than a voucher-based funding. It then used three months of 2004 Housing Assistance Payments (HAP) history and then annualized it. From this amount, a 3.1% adjustment factor was added in and then 96% of the amount was allocated to the states for their 2005 funding allotment. This formula is in direct correlation to the housing utilization of the lease-up for the three months.

Mr. Chung further stated that acknowledged that there are lost opportunities with project basing for HCDCH in the past for the vouchers that were not used, by HCDCH. HCDCH, however, should now focus on maximizing its utilization of the funds in order to get the full points for this section. Utilization of at least 95% of the funding allotment or Annual Budget Authority (ABA) which is how HUD

rates the Section 8 agency. For the scoring of 20 points, HCDCH needs to utilize 95% - 97% of the ABA to receive 15 points or more than 98% of the ABA to receive the full 20 points allocated to this section of the scoring process.

Mr. Chung added that the new method of allocation has created difficulty for the housing agencies to project the average Housing Assistance Payment (HAP) for each family. Although past payment amounts can be used to assist in the projection, but when the family's income decreases, i.e., loss of employment, the federal subsidy increases. This then can present a problem for the agency as its projections can then be skewed for its ABA depending on the three months that is selected. Mr. Chung continued that the program managers should utilize 100% of its ABA every month in order to prevent a downward spiral of its ABA over time as it is unknown which three months will be selected annually.

The Chairman thanked Mr. Chung for his thorough explanation of the program's allocation process. Director King then commented that the Board should then be focusing on the percentage used of the annual allocation amount rather than the percentage of lease-up to allotment. Mr. Ching stated that future figures will be reflected to that effect.

Ms. Aveiro continued with the highlights of her report:

- Proposed legislative bills that staff had submitted. One bill would revise the definition of "housing project" and add a new definition for "public housing project". This would then provide traffic enforcement at the Villages of Kapolei by the City and County of Honolulu; and
- Proposed bill would allow police to enter HCDCH's properties after hours to enforce the crime of criminal trespass in the second degree.

Ms. Aveiro then asked Director Smith to report on Governor Lingle's Affordable Housing Initiatives which would address the lack of affordable housing in Hawaii. Director Smith outlined the initiatives pointing out that many of the suggested changes were from the Governor's Affordable Housing Task Force which was comprised of varied members of the community.

- Affordable Homes Act of 2005 which would facilitate the development of affordable housing. One component of this would prohibit the raiding of eight special housing funds which, in the past ten years, totaled over \$200 million.

Elimination of the Rental Housing Trust Fund Advisory Commission has been proposed for abolishment in order to streamline the process. It is also being proposed that the Chair of the Advisory Commission would continue to be on the Board as the Governor would appoint someone from a list of nominees from each county to represent providers of services to low-income renters as it is believed that this is an important issue.

Exempts affordable housing projects of 50 acres or less from the Land Use Commission.

Changes the language of an affordable housing project which would allow developers to vary the mix of lower-income and market housing to make the project economically viable.

Allows the use of the Dwelling Unit Revolving Fund (DURF) to be used for permanent financing of affordable housing in addition to the current interim construction financing.

Relaxes the underwriting requirements of the Rental Housing Trust Fund (RHTF) and provides more flexibility in the rent charged to

finance rental projects.

The RHTF loans would permit corporations, limited liability corporations and partnerships to be eligible to apply for the loans.

Expanding the type of activities and projects eligible for RHTF loans to include student housing, assisted living facilities, mixed finance public housing developments and rentals for families earning at or below 140% of median income.

Increase the percentage of the conveyance tax going into the RHTF from 25% to 50% which would provide an estimated \$2 million more per year into the fund.

Eliminates the 4% General Excise Tax (GET) for the first 2,500 units of affordable rental or for sale housing started between mid-2005 and the end of 2006 and completed by December 31, 2007. This would be an incentive for the developers to complete the housing in order to qualify for the exemption. Guidelines such as minimum square footage and a cap of \$10 million to be used have also been included.

Director Smith further stated the proposed bill has received nationwide attention in a national magazine that is distributed to more than 200,000 builders.

Director King asked if developers would have the benefit of knowing if the bill passes or not when staff releases the proposed Request for Proposals in (RFP) Kapolei in April as it could make a tremendous difference in their response. Ms. Aveiro answered that it would be difficult to know as the Legislature is scheduled to end in May. Director Thompson suggested that staff include two scenarios in the RFP regarding the passage/failure of the bill.

- Land Use Commission (LUC) would be charged with broad land use policies and allow the counties to be responsible for the land use planning process. The LUC would act as an appellate authority in cases of disagreement with the counties' decisions.
- A repeal of the current limitation that permits only construction projects costing more than \$50 million to receive the benefits of pooled insurance. This would allow a group of companies to apply for pooled insurance which would lower their insurance premiums.
- State Rent Supplement Program would increase the number of people participating by broadening the eligibility requirements.
- Permits the Department of Hawaiian Home Lands to enter into business relationships with private companies which would help provide more housing and other benefits for their beneficiaries by increasing its revenues;
- Request for \$10 million in the budget for repair and maintenance for the state public housing projects, \$2 million infusion for the Rental Housing Trust Fund each year, \$2 million for cesspool conversions, and additional funds for homeless population; making approximately 80 parcels of state land available for additional affordable rental and for sale housing; and
- Propose to review the exactions and impact fees which are placed on developers which ultimately increases the cost of housing by approximately \$35,000. These fees are used to pay for widening roads, sewer, parks, etc.

Ms. Aveiro continued with her review of the proposed bills. Director Smith added that there are proposals to split the HCDCH, which was also, one of the comments that was voiced by the Affordable Housing Task Force. However, it is believed that the main focus is to be able to provide more housing rather than expending time and effort to determine whether or not HCDCH should be two agencies or remain as one. Director Larson agreed, as that was the opinion of the Board's Organizational Structure subcommittee.

Compliance Officer Patti Miyamoto then reported on the progress of meeting the requirements of the Memorandum of Agreement (MOA). Ms. Miyamoto stated that HUD had concurred that four (4) of the 120 targets and strategies have been completed as of December 31, 2004. Staff has recommended 20 overall to be closed and is currently awaiting concurrence from HUD on ten (10) of them that includes the Rent Collection Policy recently adopted by the Board.

MEMO-  
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(MOA)

Ms. Aveiro stated that there have been meetings with HUD on the process to fill positions as well as the State procurement process which differ from HUD regarding what is allowable. Director Thompson asked if HUD would accept the State procurement process. Ms. Aveiro then introduced Bill Sabulburo of HUD to explain what HCDCH can do with the different standards of operation between the state and federal.

Mr. Sabulburo stated that a major concern of HUD is when the procurement is not competitive. Ms. Aveiro added that differences in addressing emergency cases has been difficult as the State Procurement Office will review the affect on the community and allow the State to move forward after certain steps have been take whereas HUD will not allow any action with the use of Federal funds.

Mr. Sabulburo agreed noting that in the case of the property management contracts, the State Procurement Office will allow a one-year contract for approximately \$500,000. HUD, however, may have agreed to three months and expect to have the contract advertised and awarded. Other than this type of situation, Mr. Sabulburo believed that the State and HUD have very similar policies.

Director Thompson asked for a summary of how many targets/strategies are not on schedule. Ms. Miyamoto answered that there are approximately five that staff has not been able to meet the deadline. Director Thompson further asked if HUD has penalized HCDCH because of this. Ms. Miyamoto stated that HUD has not responded yet as their deadline to respond is February 1, 2005.

Mr. Sabulburo commented that the MOA has numerous targets/strategies. Many of the targets/strategies are indirectly related to the next Public Housing Assessment System (PHAS) which will be done in September 2005. Should HCDCH be able to meet the MOA requirements, then it should be able to achieve a higher score and pass the next PHAS.

Designee Manayan moved, seconded by Director Thompson

RECESS

That the meeting be recessed at 10:49 a.m.

The motion was unanimously carried and the Chairman reconvened the meeting at 11:00 a.m.

Ms. Aveiro stated that staff understands that they must score well in the next Real Estate Assessment Center (REAC) despite the fact that some projects may not be able to meet the minimum score due to its age and condition of the project. The "A" team which was formed for this purpose has worked closely with HUD to improve the REAC scores of each project by improving the process of making the units ready on a timely basis.

A member of the "A" Team, Kevin Funasaki, Construction Management Unit Chief, then updated the Board on its progress to improve the turnaround time of

the vacant units and the deficiencies of the projects. Out of a total of 67 projects, 27 projects were identified in 2004 as failing due to a score of below 60. Seven (7) other projects were determined to be marginal as they scored between 60-65.

Staff then did a physical inventory of each unit and is working with HUD to address issues such as expediting the processing of work orders as well as the actual time to do the work itself. A Memorandum of Understanding (MOU) has also been executed with the Department of Accounting and General Services (DAGS) to assist in the work. Staff hopes to turn around approximately 150 vacant units out of a total of 636 with the assistance of approximately 50-60 workers from DAGS by February 2005.

Mr. Funasaki further stated that damage to units that become vacant as a result of evictions are very extensive.

Director Jung asked whether if it would be possible to consolidate these units, sell them to the private sector and then use the income from the sale to provide more housing.

Ms. Aveiro commented that staff will be studying the assets and the options that the agency has within the next six months.

Mr. Funasaki continued that staff has identified units on the neighbor islands that are heavily damaged which DAGS may be able to assist staff in getting the units ready for the REAC inspections.

Ms. Aveiro added that the 3-month MOA with DAGS was for work done by staff and DAGS using overtime on weekends and holidays that had started in December 2004 thru February 2005 in anticipation of the REAC inspections in March 2005. Residents are also being moved to units that are in better living conditions and where they do not pose any health and safety issues for the residents.

Director Larson asked if the residents are given a choice as moving into another residence can be stressful. Ms. Aveiro answered that one out of 18 residents may not agree to moving but they are able to move back to the project after the modernization work has been completed should they still be qualified.

Director Jung commented that he appreciated the efforts that have been made on the Kona projects and agreed with Director Larson that open communication with the residents and keeping them informed of the agency's goals and plans may alleviate any major concerns by the residents.

Staff's recommendation was presented as follows:

That the HCDCH Board of Directors approve the returning of HCDCH's development rights to Village 9 to DLNR for the Kona Community Hospital project, under the terms and conditions described in this For Action. If construction of the Kona Community Hospital project has not commenced on village 9 by December 31, 2010, HCDCH shall then resume its right to develop Village 9, free and clear of all liens and encumbrances, subject to other terms and conditions deemed necessary by the Executive Director.

Chairman Sted recused himself from the agenda item and asked Vice Chairman Charles King to chair the meeting.

Project Manager Stan Fujimoto explained that it is being proposed that HCDCH shall relinquish its development rights to Village 9 of La'i'opua which would enable the Department of Land and Natural Resources (DLNR) to award Village 9 to a developer and operator of their choice for the proposed Kona Community Hospital (KCH). Should construction of the KCH not commence on Village 9 by

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December 31, 2010, HCDCH shall have the development rights of Village 9 returned without any liens and encumbrances.

Mr. Fujimoto introduced Dr. Lynn Walton and Tyler Smith of the Hawaii Health Systems Corporation (HHSC).

Director Jung commented that Village 9 is located near many of the HCDCH projects in West Hawaii. In addition to a need for housing, West Hawaii, specifically Kona, has a need for medical care as the current hospitals are inaccessible for this area and would not meet the projected population growth of the area that is being anticipated. This may be an opportunity to be able to be proactive rather than reactive when the problems are intensified. Recognizing the importance of obtaining development rights in any public-private partnership to proceed with generating interest from investors whom would participate in the investment.

Director Jung further stated that he understands that there is a concern that hospitals are experiencing difficulty financially as they must provide long-term care services for the elderly, entitlements for services that are rendered but not compensated for.

Director Smith agreed with Director Jung on the need for health care facilities in the area, however, capacity, both management and financial capacity, of the Hawaii Health Systems Corporation (HHSC), which is a very reputable agency. However, its annual budget of \$370 million, it still requests \$41 million annually from the state to break even. HHSC is currently involved with other large projects on Maui and on the Big Island not including the Kona area. Director Smith further stated that since HCDCH has development rights to the property, that it may seek other partners other than HHSC to go forward with a medical facility.

Tyler Smith, although a member of the Board for HHSC, stated that he is attending the meeting as an individual and not representing HHSC. Dr. Lynn Walton of KCH, then addressed the Board stating that although the HHSC Board supports the planning efforts of the medical facility in Kona, the planning efforts will not use any funds of HHSC. However, in order to entertain the implementation issue, HHSC must obtain the Certificate of Need (CON) which requires that the plan is credible which has an outside economical analysis. HHSC is not requesting that HCDCH determine whether or not a medical facility is appropriate in the Kona area but rather to give HHSC the opportunity to let other agencies determine if this would be a good location for a medical campus.

Director Thompson commented that the HCDCH Board is to provide for housing. Dr. Walton acknowledged this but noted that there were no immediate plans to develop the property for housing. Dr. Walton stated that it is believed to be a good location for a medical facility as it already had the infrastructure and is located across from an area that is scheduled to house County offices.

Executive Director Stephanie Aveiro stated that she and staff agreed that HCDCH is not in a position to determine whether or not a hospital is needed in the area. It also took into consideration that the Department of Hawaiian Home Lands (DHHL) will develop housing in other villages of La`i`opua which is synonymous to the mission of HCDCH. Ms. Aveiro further stated that staff believed that any medical facility would fit well into a master development such as La`i`opua.

Director Larson stated that she supports the proposed recommendation knowing that DHHL will be developing the land for residential purposes which will require the population's healthcare needs to be addressed in the future. Director Larson further stated that she supported that the action taken by the Board be specific rather than general in terms of what the development should be.

Director Thompson also commented that he supported the proposal to relinquish the development rights to DLNR; however does not support the proposal to specify what should be developed nor who should develop it.



Director King stated his support to retain the provision that the development rights revert back to HCDCH which may allow HCDCH to develop an elderly project in the future for Village 10.

Director Smith asked if there was any other party other than HHSC who expressed interest in developing the property.

Mr. Fujimoto answered that there was no interest by any other party. Should the Board approve staff's recommendation, then DLNR would receive a copy of the approved For Action. HHSC would then need to obtain approval from DLNR.

Director Thompson then asked if HCDCH relinquishes its development rights to DLNR, is HCDCH still able to direct DLNR to have the Kona Community Hospital.

Director Jung noted that in land transactions, a proviso could be included on a contingent basis. He further stated that the For Action is allowing KSC to move forward to the next step of working with DLNR who has to concur with their proposal.

For clarification, Mr. Fujimoto commented that the For Action approved by the HCDCH Board will be given to DLNR; no Memorandum of Agreement (MOA) will be necessary as this has been an accepted practice in the past.

After discussion Director Thompson moved to amend staff's recommendation as follows:

That the HCDCH Board of Directors approve the returning of HCDCH's development rights to Village 9 to DLNR.

Director Smith seconded the motion.

Director King stated that he supported keeping the proviso to return the development rights to HCDCH in 2010.

Director Jung then moved to amend the motion as follows:

That the HCDCH Board of Directors approve the returning of HCDCH's development rights to Village 9 to DLNR for development to be commenced by December 31, 2010 and if development does not commence at such time, the development rights returns to HCDCH.

Designee Manayan seconded the amended motion.

Director Larson stated that she supported inclusion of specifying a medical facility to be developed which would give DLNR direction that it would be a benefit for the planned development.

Director Thompson voiced his disagreement that HCDCH should relinquish its development rights since it has no plans to use it at the present time. He further stated that HCDCH should not be the agency to determine for the Kona community that it should have a medical facility at that site.

Director Larson then moved to amend the amended motion as follows:

That the HCDCH Board of Directors approve the returning of HCDCH's development rights to Village 9 to DLNR for the purpose of development of a medical facility to be commenced by December 31, 2010 and if development does not commence at such time, the development rights returns to HCDCH.

Director Jung seconded the amendment to the amended motion. Director Jung further stated that he would accept it as a friendly amendment. Designee Manayan agreed to second the friendly amendment.

Vice Chairman King then asked for the votes on the first motion to amend staff’s recommendation as moved by Director Thompson and seconded by Director Smith. The votes were as follows:

AYES: Designee Henry Oliva  
Director Linda Smith  
Director Travis O. Thompson

NAYS: Director Francis L. Jung  
Director Charles King  
Director Betty Lou Larson  
Designee Rick Manayan

The first motion to amend staff’s recommendation did not pass.

Vice Chairman King then asked for the votes on the second motion to amend staff’s recommendation to include the term medical facility. Ms. Aveiro read aloud the motion that was to be voted on for clarification:

That the HCDCH Board of Directors approve the returning of HCDCH’s development rights to Village 9 to DLNR for the purpose of development of a medical facility to be commenced by December 31, 2010 and if development does not commence at such time, the development rights returns to HCDCH.

AYES: Director Francis L. Jung  
Director Charles King  
Director Betty Lou Larson  
Designee Rick Manayan  
Director Travis O. Thompson

NAYS: Designee Henry Oliva  
Director Linda Smith

The second motion to amend staff’s recommendation passed.

Staff’s recommendation was presented as follows:

That the HCDCH Board approve the lease of the Waianae land parcel, TMK (1) 8-5-028:44, adjacent to Kauio-kalani Public Housing project and authorize the execution of a fifty year lease agreement with Homeless Solutions.

Director Thompson moved, seconded by Designee Oliva

That staff’s recommendation be approved.

Homeless Program Coordinator Sandra Miyoshi explained that the City & County of Honolulu (C&C) issued a Request for Proposals (RFP) appropriating \$5.3 million in City HOME funds for the development of a homeless transitional residential facility. HCDCH, together with several other non-profit organizations, submitted a proposal with Homeless Solutions as the lead agency who would be the developer/manager of the project. The proposal was to have 50 or more units of supportive housing and approximately 20 units in transitional shelter in the Waianae area.

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The proposal also included the U.S. Veterans Initiative to match an existing grant of \$450,000 to complete renovation to barracks buildings located at Kalaeloa that will add approximately 20 studio units for the homeless vets.

Ms. Miyoshi introduced Terry Brooks of Homeless Solutions. Mr. Brooks explained that the C&C requires the grantee to start the project within 18 months of the award. Tax credits will be sought to enhance the project and maximize the number of units that it can provide for the homeless population.

Director Larson asked how the supportive services for the residents would be funded. Ms. Miyoshi responded that funds that are currently available for the stipend program for the transitional housing residents as well as supportive services for those with mental illness will be used.

Director Thompson asked if the involvement by HCDCH is only the lease agreement to Homeless Solutions to which Ms. Miyoshi answered in the affirmative.

After discussion, the motion was carried.

(Chairman Sted returned to the meeting at this time - 12:30 p.m.)

Staff's recommendation was presented as follows:

That the HCDCH Board of Directors approve the preliminary draft of the Public Housing Agency FY 2005 5-Year and Annual Plans for public hearing.

Director King moved, seconded by Director Thompson

That staff's recommendation be approved.

Planner Al Nitta explained that as a result of meetings with the Resident Advisory Board (RAB), the Public Housing Agency (PHA) FY 2005 5-Year and Annual Plans for Public Housing was developed. the end result is what is being requested of the Board to allow staff to proceed with public hearings on all islands on March 23, 2005 for further input.

Lili Funakoshi, Hearings Officer, explained a proposed change in the selection of a hearings officer as using a listing of hearings officers which HCDCH will use to randomly select the hearings officer

Ms. Funakoshi further stated that complainants have five business days to initiate grievances which involve criminal activities. Executive Director Stephanie Aveiro noted that staff's proposed changes are to streamline its procedures.

Director Larson expressed her concern about the proposed change to provide applicants with only one vacant unit choice instead of three choices before they are placed last on the waiting list. Applicants may have children who would have to change schools because of this, or projects that they are being asked to move to may not provide a safe environment for their family. Director Larson further expressed her concern for the elderly being given only one choice to move to a public housing project.

Executive Director Stephanie Aveiro explained that the current policy for the applicants is very complex as the applicants are allowed to select from a multiple number of public housing projects with different weighted preferences. This process significantly lengthens the selection process and delays the time it takes to place a resident in a vacant unit. The proposed change should expedite this process. Ms. Aveiro further stated that the current waiting list is 13,000 people who are in need of public housing and are willing to pay 30% of their income

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toward the public housing rental charge. Staff is hopeful that the proposed change will dramatically lower the amount of people on the wait list and assist as many people as possible.

Director Larson stated that although she understood eliminating the preferences which would hasten the process, she moved

That staff's recommendation be amended to change the number of choices provided to applicants from "one" vacant unit to "two" vacant units."

Director Jung seconded the motion.

Director Smith asked if the preferences are required by HUD to which Mr. Nitta answered it was not a requirement. Mr. Nitta explained that during the application process, an applicant is given an opportunity to state which geographical area they desire. This process would not be changed and therefore the applicant could be on multiple lists depending on the number of different geographical areas he/she selects.

Dexter Ching, Public Housing Supervisor for Applications Section, stated that during the application process, the individual is allowed to choose which one of four geographical areas they would like to reside in.

Director Smith asked if a resident is allowed to change from one public housing to another. Mr. Ching answered yes under specific circumstances.

Director Larson commented that it was her understanding that the resident would be allowed to relocate if it was due to a severe medical or caregiving problem. She further commented that individuals may, after waiting on the list for 3-5 years, may have a different geographical area that they prefer when they initially applied for public housing.

Mr. Ching clarified that in addition to medical problems, the provision to change to another public housing project, is determined on a case-by-case basis.

(Designee Manayan left the meeting at this time - 12:45 p.m.)

Chairman Sted asked if the people were given two choices, would the agency still be able to meet the HUD requirements of the Memorandum of Agreement (MOA).

Ms. Aveiro responded that it would be almost impossible to meet the goals relative to placing people in the vacant units. Although staff is proposing changes to be more attentive to placing the applicants in a more timely manner of 25 days that HUD has required, staff will probably not be able to do so should the applicants be allowed to have two choices.

Chairman Sted expressed his empathy toward the concerns of Director Larson, but noted that the goal that the agency has at the moment is to meet the MOA requirements of HUD by September 30, 2005. Director Thompson supported the Chairman noting that if there are 13,000 people who are waiting for housing. The applicants who are given the opportunity to be placed in a vacant unit declines, then the next applicant on the wait list who accepts it as the only choice, should be given the unit. Director Thompson further stated that in the future, this policy could change but the current situation that the agency is in does not justify the two-choice system.

Director Larson asked if the proposed policy would accommodate the elderly and the disabled due to legitimate reason such as a health issue. Mr. Ching answered that the "good cause" policy would not be affected by the proposed change and the resident's request would be considered on an individual basis.

The Chairman then called for a vote on the motion to amend staff’s recommendation and the votes were as follows:

- AYES:   Director Francis L. Jung  
          Director Betty Lou Larson
- NAYS:   Director Charles King  
          Designee Rick Manayan  
          Designee Henry Oliva  
          Director Linda Smith  
          Director Charles Sted  
          Director Travis O. Thompson

The motion to amend did not pass.

There being no further discussion, the Chairman called for a vote on staff’s recommendation as presented, and the motion was passed unanimously.

Executive Director Stephanie Aveiro explained that the For Information item is being presented pursuant to the Board’s previous request for more informaiton on the subject subdivision. Project Manager Stan Fujimoto explained that HCDCH (fka Hawaii Housing Authority) owned part of the 18-lot subdivision, provided interim financing to the developer and subsequently sold the homes to eligible families in leasehold with an option to purchase the fee simple title.

Ground movement was initially reported in 1986 and became very severe following heavy rains in 1987. HCDCH (fka Housing Finance & Development Corporation) subsequently repurchased the entire subdivision between 1988 and 1992. This included a property which the Board previously approved to sell in October 2004. The 17 remaining lots have had the homes demolished and are currently maintained annually for approximately \$13,783.20 which includes \$9,133.20 to monitor the ground movement which is still ongoing.

Due to the ground movement, temporary drainlines and sewerlines have yet to be made permanent. Staff believes that there would be little success in selling the property due to the existing conditions.

Director Smith noted that since more than \$10 million has been expended for the property and more than \$13 million is being expended to maintain it, advertising it for sale in an “as is” condition may be worth pursuing rather than maintaining it at status quo.

Director Thompson agreed that staff should not expend its time on the subdivision.

Mr. Fujimoto commented that the temporary utility lines are visible and need to be made permanent with easements as well.

Director King suggested that staff check to see if there is any interest in the general real estate market. Director Smith added that staff may choose to notify the Honolulu Board of Realtors to see if there is any interest from their membership with a contingency that the subdivision had to be surveyed and easements must be done.

Director Jung reported that the Contracts Subcommittee received a draft form of a procurement and management contract for use by HCDCH as proposed by a consultant who attempted to integrate the agency’s needs. However, the process of obtaining HUD’s approval of the proposed format is a constant exchange of communication with HUD. He commented that it may be more efficient to have a joint committee with HUD and staff until the agreement is reached considering

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the time constraints that HCDCH has to meet HUD’s requirements.

Executive Director Stephanie Aveiro stated that staff does meet with HUD, however she agreed with Director Jung that it is a long and complex process.

Director Smith noted that Director Jung raised a good point where HCDCH may have to demonstrate HUD’s inability to respond to HCDCH in a timely manner which ultimately may cause HCDCH to fail in meeting the MOA.

The Chairman agreed with Director Smith that this needs to be done while staff is attempting to meet the requirements of the MOA.

Director Thompson reported on the Finance Subcommittee’s current findings, some of which coincide with the Audit Subcommittee’s findings which he is also a member of. He stated that there is a lack of financial information available for the Executive Director. He cited an example of receiving financial information in December 2004 which is current as of June 30th, or six months earlier.

AUDIT/  
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Referring to the financials that was received in December 2004, Director Thompson informed the Board that the agency’s assets as of June 30, 2004, decreased from \$1,570,000 to \$1,226,000 or a decrease of net assets of \$344 million. Although the liabilities decreased by \$242 million which gives the agency a net decrease in value of \$92 million, it demonstrates that the agency is expending more than what it is receiving. Although the agency is in good financial condition, the delay in receiving the financial reports, may cause staff to be unaware that the expenditures are more than the revenues.

Director Jung noted that if approximately \$30 million was transferred out of the agency as reported by Director Smith to the Legislature, then the actual net decrease would be approximately \$60 million. Director Thompson agreed pointing out that various programs have been expending more than what it is receiving.

The Chairman commented that the agency might be expending more rapidly than the additional resources that may be available which would create problems in the future.

Director Thompson agreed noting that a Chief Financial Officer (CFO) is needed to meet the challenges of the agency.

Executive Director Stephanie Aveiro acknowledged that the agency is expending more than what it is receiving, primarily due to the State Low-Rent Program which experiences a monthly deficit of approximately \$20,000 - \$50,000.

Ms. Aveiro commented that due to the constraints placed on the state in hiring its personnel whether it be for civil service or exempt personnel, it is very difficult to recruit for a CFO.

Director Smith offered to explore options that may be pursued whereby other governmental agencies may have more flexibility in its hiring practices that could benefit HCDCH.

There being no further discussion, Director King moved, seconded by Director Smith

EXECUTIVE  
SESSION

That the Board meet in Executive Session at 1:25 p.m.

The motion was unanimously carried.

\* \* \* \* \*

(Director Smith left the meeting at this time - 2:15 p.m.)

The Chairman reconvened the meeting in regular session at 2:27 p.m.

The Chairman referred back to the Office of Executive Director report and the MOA with HUD. The Chairman, then appointed subcommittee on Organization and then asked for volunteers to serve on the subcommittee.

APPOINT-  
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MEETING

Director Jung, Director Thompson and Designee Oliva volunteered to be on the subcommittee. The Chairman suggested that the newly formed subcommittee meet and decide who would be the Chair.

There being no further business to come before the Board, Director King moved, seconded by Director Thompson

ADJOURN-  
MENT

That the meeting be adjourned at 2:30 p.m.

The motion was unanimously carried.

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FRANCIS L. JUNG  
Secretary

Approved: